

*City of Bangor*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2008*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*City of Bangor*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the City of Bangor, Michigan's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

## **FINANCIAL HIGHLIGHTS**

- The City's total net assets decreased by \$134,004 (1.9 percent) as a result of this year's activities. Net assets of the governmental and business-type activities decreased by \$6,303 and \$127,701, respectively.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$19,449, which represents 2.4 percent of the actual total General Fund expenditures for the current fiscal year.

## **Overview of the financial statements**

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for other governmental funds and additional information regarding debt service requirements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
  - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## **Government-wide financial statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- Governmental activities - Most of the City's basic services are included here, such as the police, fire, library, and general government. Property taxes and state grants finance most of these activities.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- Component units - The City includes two other entities in its report - the Downtown Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

#### **Fund financial statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like library maintenance) or to show that it is properly using certain taxes and other revenues (like property taxes collected for police, fire operations, senior services and hospital authorities, and state grants collected for the street funds).

The City has three kinds of funds:

Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund consists of a Motor Pool Equipment Fund.

Fiduciary funds - These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net assets.** The City's combined net assets decreased by 1.9 percent between June 30, 2007 and 2008. In comparison, last year net assets increased by 15.7 percent. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) for the City's governmental and business-type activities.

**Table 1 - Net assets**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Current and other assets	\$ 225,130	\$ 412,815	\$ 171,603	\$ 219,194	\$ 396,733	\$ 632,009
Capital assets	<u>2,146,476</u>	<u>2,091,804</u>	<u>6,802,351</u>	<u>6,982,157</u>	<u>8,948,827</u>	<u>9,073,961</u>
<b>Total assets</b>	<b><u>2,371,606</u></b>	<b><u>2,504,619</u></b>	<b><u>6,973,954</u></b>	<b><u>7,201,351</u></b>	<b><u>9,345,560</u></b>	<b><u>9,705,970</u></b>
Long-term debt	139,667	142,067	2,040,000	2,161,632	2,179,667	2,303,699
Other liabilities	<u>100,290</u>	<u>224,600</u>	<u>70,303</u>	<u>48,367</u>	<u>170,593</u>	<u>272,967</u>
<b>Total liabilities</b>	<b><u>239,957</u></b>	<b><u>366,667</u></b>	<b><u>2,110,303</u></b>	<b><u>2,209,999</u></b>	<b><u>2,350,260</u></b>	<b><u>2,576,666</u></b>
Net assets:						
Invested in capital assets, net	2,006,809	1,942,238	4,762,351	4,820,525	6,769,160	6,762,763
Restricted	160,998	107,225	-	-	160,998	107,225
Unrestricted	<u>(36,158)</u>	<u>88,489</u>	<u>101,300</u>	<u>170,827</u>	<u>65,142</u>	<u>259,316</u>
<b>Total net assets</b>	<b><u>\$ 2,131,649</u></b>	<b><u>\$ 2,137,952</u></b>	<b><u>\$ 4,863,651</u></b>	<b><u>\$ 4,991,352</u></b>	<b><u>\$ 6,995,300</u></b>	<b><u>\$ 7,129,304</u></b>

Net assets of the City's governmental activities decreased by \$6,303 (0.3 percent) to \$2,131,649. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, without constraints by debt covenants, enabling legislation or other legal requirements, decreased by \$124,647 (140.9 percent) to a negative \$36,158.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Net assets of our business-type activities decreased by \$127,701 (2.6 percent) to \$4,863,651. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints by debt covenants enabling legislation or other legal requirements, decreased by \$69,527 (40.8 percent) to \$101,300.

**Table 2 - Change in net assets**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 139,417	\$ 126,960	\$ 676,121	\$ 611,716	\$ 815,538	\$ 738,676
State grants	188,336	409,902	-	-	188,336	409,902
Federal grants	82,800	484,000	-	-	82,800	484,000
Local unit grants	23,365	71,764	-	-	23,365	71,764
Developer contributions	-	-	-	337,000	-	337,000
General revenues:						
Property taxes	644,312	572,974	-	-	644,312	572,974
State grants	265,668	265,731	-	-	265,668	265,731
Franchise fees	18,083	17,189	-	-	18,083	17,189
Interest and other	720	8,965	52	4,519	772	13,484
<b>Total revenues</b>	<b>1,362,701</b>	<b>1,957,485</b>	<b>676,173</b>	<b>953,235</b>	<b>2,038,874</b>	<b>2,910,720</b>
Expenses:						
Sewer	-	-	521,649	455,608	521,649	455,608
Public safety	497,859	444,694	-	-	497,859	444,694
Public works	463,630	369,059	-	-	463,630	369,059
General government	307,623	289,514	-	-	307,623	289,514
Water	-	-	282,225	271,208	282,225	271,208
Recreation and culture	65,832	50,112	-	-	65,832	50,112
Health and welfare	14,216	15,248	-	-	14,216	15,248
Legislative	11,372	9,619	-	-	11,372	9,619
Interest on debt	8,472	13,320	-	-	8,472	13,320
<b>Total expenses</b>	<b>1,369,004</b>	<b>1,191,566</b>	<b>803,874</b>	<b>726,816</b>	<b>2,172,878</b>	<b>1,918,382</b>
<b>Increase (decrease) in net assets</b>	<b>\$ (6,303)</b>	<b>\$ 765,919</b>	<b>\$ (127,701)</b>	<b>\$ 226,419</b>	<b>\$ (134,004)</b>	<b>\$ 992,338</b>

**Changes in net assets.** The City's total revenues for 2008 were \$2,038,874 (30.0 percent decrease). The total cost of all programs and services was \$2,172,878 (13.3 percent increase), with no new programs added this year.

Charges for services represented 40.1 and 25.4 percent in 2008 and 2007, respectively; property taxes represented 31.6 and 19.7 percent in 2008 and 2007, respectively; and operating grants, both program and general, were 23.3 and 15.5 percent in 2008 and 2007, respectively, of total revenues. Capital grants (including federal, state and local grants, and developer contributions) represented only 4.1 percent of total revenues in 2008 (38.4 percent in 2007).

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The provision of public safety and public works represented 44.2 percent (43.7 percent in 2007) and water and sewer utility services represented 37.0 percent (37.5 percent in 2007) of all costs in 2008. General government services represented 14.2 percent of all costs (15.3 percent in 2007) in 2008.

While the City reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities. Our analysis below separately considers the operations of governmental and business-type activities.

**Governmental activities.** Total revenues decreased \$594,784 (30.4 percent), while total expenses increased \$177,438 (14.9 percent). Revenue decreased in non-recurring capital grants by \$698,507, while property taxes increased by \$71,338 (12.5 percent) and changes for services increased \$12,457 (9.8 percent). The increase in property tax revenue was due to additional amounts levied in support of debt service costs. Expenses increased in nearly all categories, with the largest increases occurring in public works (\$94,571), public safety (\$53,165), and general government (\$18,109). The increases were attributable to higher personnel costs (both compensation and fringe benefits) and vehicle operating costs.

**Table 3 - Governmental activities**

	<i>Total cost of services</i>		<i>Net cost of services</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Public safety	\$ 497,859	\$ 444,694	\$ (451,623)	\$ (418,407)
Public works	463,630	369,059	(114,845)	407,659
General government	307,623	289,514	(270,726)	(261,193)
Other	99,892	88,299	(97,892)	172,971
<b>Total</b>	<b>\$ 1,369,004</b>	<b>\$ 1,191,566</b>	<b>\$ (935,086)</b>	<b>\$ (98,970)</b>

Table 3 shows the costs of the City's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the City's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,369,004 compared to \$1,180,629 last year. The amount that our taxpayers ultimately financed for these activities through general revenues was \$935,086 because some of the cost was paid by those who directly benefited from the programs (\$126,960) or by other governments and organizations that subsidized certain programs with grants and contributions (operating - \$351,118 and capital - \$82,800). The City paid for the \$935,086 "public benefit" portion with \$644,312 in taxes (some of which could only be used for certain programs) and with other revenues, such as state shared revenue and franchise fees.

**Business-type activities.** Revenues of the City's business-type activities decreased by \$277,062 (29.1 percent) to \$676,173 and expenses increased \$77,058 (10.6 percent) to \$803,874. The key factor for the decrease in revenue was the decrease of \$337,000 in non-recurring developers' contributions, which was partially offset by one-time permit fees of \$36,171. Expenses increased due to higher electric utility costs of the sewer system, higher personnel costs, and unanticipated repair costs.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds.** As of June 30, 2008, its governmental funds (as presented on page 7) reported a combined fund balance of \$141,286, a decrease of \$32,453 from last year's balance. The General Fund experienced the largest decrease (\$54,564) primarily due to transfers to the Local Street, Capital Project, and Library Maintenance Funds in the amount of \$63,576. These transfers were a combination of support for operations (\$22,008) and for capital asset construction (\$46,601). One other change in fund balance to be noted:

- Special revenue Major Street Fund funds decreased by \$24,161 due to higher than expected surface maintenance costs

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$19,449, which represents 2.4 percent of the actual total General Fund expenditures (exclusive of transfers out) for the current fiscal year. The fund balance of the General Fund represents 13.8 percent of the combined ending fund balances of the governmental funds.

**General Fund budgetary highlights**

The City did not amend the budget of the General Fund in 2008. Actual total revenues (\$816,773) exceeded the total budget amount by \$11,538; actual total expenditures (\$807,761) exceeded the total budget by \$75,271; however, transfers out (\$63,576) were less than the amount budgeted by \$59,025. Expenditures in nearly all categories exceeded budgeted amounts, primarily due to higher than expected personnel costs and contracted services. Transfers out were less than anticipated, due to lower operating costs of supported funds.

**Capital assets and debt administration**

*Capital assets*

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$8,948,826 (net of accumulated depreciation). This investment includes a broad range of assets including land, equipment, buildings, roads, and sewer and water facilities.

	<b>Table 4 - Capital assets at year-end</b>					
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Infrastructure	\$ 1,153,087	\$ 1,093,820	\$ 6,712,699	\$ 6,893,746	\$ 7,865,786	\$ 7,987,566
Buildings and improvements	852,655	892,938	-	-	852,655	892,938
Equipment and vehicles	112,392	76,704	28,725	27,184	141,117	103,888
Land	28,342	28,342	60,927	60,927	89,269	89,269
<b>Total</b>	<b>\$ 2,146,476</b>	<b>\$ 2,091,804</b>	<b>\$ 6,802,351</b>	<b>\$ 6,981,857</b>	<b>\$ 8,948,827</b>	<b>\$ 9,073,661</b>

The decrease in the City's net investment in capital assets for the current fiscal year was \$124,834 or 1.41 percent.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Major capital asset events during the current fiscal year included the following:

- Road improvements - \$117,612
- Vehicles - \$60,903

More detailed information about the City's capital assets is presented in Note 5 of the basic financial statements.

**Debt administration**

At the end of the fiscal year, the City had total long-term bonds and notes outstanding in the amount of \$2,179,667, which represents a decrease of \$124,032 (5.4 percent). All debt is backed by the full faith and credit of the City. No new debt was issued in 2008.

State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property. The City's total general obligation debt (\$139,667) is significantly lower than the current state-imposed limit of approximately \$3,600,000.

**Table 5 - Outstanding debt at year end**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation debt (backed by the City)	\$ 139,667	\$ 142,067	\$ -	\$ 26,632	\$ 139,667	\$ 168,699
Revenue bonds (backed by specific fees)	-	-	2,040,000	2,135,000	2,040,000	2,135,000
<b>Total</b>	<b>\$ 139,667</b>	<b>\$ 142,067</b>	<b>\$ 2,040,000</b>	<b>\$ 2,161,632</b>	<b>\$ 2,179,667</b>	<b>\$ 2,303,699</b>

Other long-term debt obligations totaling \$7,765 represent accrued compensated absences. More detailed information about the City's long-term liabilities is presented in Note 8 of the basic financial statements.

**Economic condition and outlook**

The City's General Fund budget for the next year projects little increase in spending and anticipates that total revenues will approximate total expenditures by about 5 percent. A stagnant economy and no substantial revenue increase require that the City hold the line with conservative expenditure trends.

**Contacting the City's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to Cheri Parrish-Hamilton, City Treasurer (269-427-5831), at:

City of Bangor  
 257 West Monroe Street  
 Bangor, MI 49013

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Bangor, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Bangor, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the City of Bangor, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the City of Bangor, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Bangor, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Members of the City Council  
City of Bangor, Michigan  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bangor, Michigan's basic financial statements. The accompanying supplementary information and supplementary data is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information and data have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

January 19, 2009

## **BASIC FINANCIAL STATEMENTS**

*City of Bangor*  
**STATEMENT OF NET ASSETS**  
*June 30, 2008*

	<i>Primary government</i>		
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,238	\$ 1,272	\$ 2,510
Receivables, net	169,548	115,156	284,704
Due from primary government	-	-	-
Prepaid items	24,950	2,536	27,486
Internal balances	29,394	(29,394)	-
Total current assets	<u>225,130</u>	<u>89,570</u>	<u>314,700</u>
Noncurrent assets:			
Capital assets not being depreciated - land	28,342	60,927	89,269
Capital assets, net of accumulated depreciation	2,118,134	6,741,424	8,859,558
Deferred charges	-	82,033	82,033
Total noncurrent assets	<u>2,146,476</u>	<u>6,884,384</u>	<u>9,030,860</u>
Total assets	<u>2,371,606</u>	<u>6,973,954</u>	<u>9,345,560</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	59,818	62,496	122,314
Technical bank overdraft	8,012	-	8,012
Due to component unit	32,460	-	32,460
Customer deposits	-	7,807	7,807
Current portion of long-term obligations	87,505	100,000	187,505
Total current liabilities	<u>187,795</u>	<u>170,303</u>	<u>358,098</u>
Noncurrent liabilities - long-term obligations	<u>52,162</u>	<u>1,940,000</u>	<u>1,992,162</u>
Total liabilities	<u>239,957</u>	<u>2,110,303</u>	<u>2,350,260</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,006,809	4,762,351	6,769,160
Restricted	160,998	-	160,998
Unrestricted	(36,158)	101,300	65,142
Total net assets	<u>\$ 2,131,649</u>	<u>\$ 4,863,651</u>	<u>\$ 6,995,300</u>

<b>Component units</b>		
<b><i>Downtown Development Authority</i></b>	<b><i>Economic Development Corporation</i></b>	<b><i>Totals</i></b>
\$ -	\$ -	\$ -
-	-	-
32,460	-	-
-	-	-
32,460	-	-
-	-	-
60,877	-	60,877
-	-	-
60,877	-	60,877
93,337	-	60,877
4,634	-	4,634
-	-	-
-	-	-
-	-	-
7,674	-	7,674
12,308	-	12,308
-	-	-
12,308	-	12,308
53,203	-	53,203
-	-	-
27,327	-	27,327
<u>\$ 80,530</u>	<u>\$ -</u>	<u>\$ 80,530</u>

See notes to the financial statements

**City of Bangor**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 11,372	\$ -	\$ -	\$ -
General government	307,623	36,897	-	-
Public safety	497,859	23,791	8,445	14,000
Public works	463,630	78,729	201,256	68,800
Health and welfare	14,216	-	-	-
Recreation and culture	65,832	-	2,000	-
Interest on long-term debt	8,472	-	-	-
Total governmental activities	<u>1,369,004</u>	<u>139,417</u>	<u>211,701</u>	<u>82,800</u>
Business-type activities:				
Sewer	521,649	385,050	-	-
Water	282,225	291,071	-	-
Total business-type activities	<u>803,874</u>	<u>676,121</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,172,878</u>	<u>\$ 815,538</u>	<u>\$ 211,701</u>	<u>\$ 82,800</u>
<b>Component units</b>				
Public works	\$ 60,019	\$ 1,250	\$ 2,883	\$ -
Interest on long-term debt	1,099	-	-	-
Total component units	<u>\$ 61,118</u>	<u>\$ 1,250</u>	<u>\$ 2,883</u>	<u>\$ -</u>

General revenues:

Taxes  
State grants  
Franchise fees  
Investment return and other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expenses) revenues and changes in net assets</i>				
<i>Primary government</i>			<i>Component units</i>	
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>	<i>Economic Development Corporation</i>
\$ (11,372)		\$ (11,372)		
(270,726)		(270,726)		
(451,623)		(451,623)		
(114,845)		(114,845)		
(14,216)		(14,216)		
(63,832)		(63,832)		
(8,472)		(8,472)		
(935,086)		(935,086)		
-	\$ (136,599)	(136,599)		
-	8,846	8,846		
-	(127,753)	(127,753)		
(935,086)	(127,753)	(1,062,839)		
			(55,405)	\$ (481)
			(1,099)	-
			(56,504)	(481)
644,312	-	644,312	94,553	-
265,668	-	265,668	-	-
18,083	-	18,083	-	-
720	52	772	-	-
928,783	52	928,835	94,553	-
(6,303)	(127,701)	(134,004)	38,049	(481)
2,137,952	4,991,352	7,129,304	42,481	481
\$ 2,131,649	\$ 4,863,651	\$ 6,995,300	\$ 80,530	\$ -

See notes to the financial statements

**City of Bangor**  
**BALANCE SHEET - governmental funds**

June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Other govern- mental funds</u>	<u>Total govern- mental funds</u>
<b>ASSETS</b>				
Cash	\$ 1,238	\$ -	\$ -	\$ 1,238
Receivables, net	102,767	17,740	40,857	161,364
Prepaid items	20,508	293	880	21,681
Due from other funds	-	-	236,066	236,066
Total assets	<u>\$ 124,513</u>	<u>\$ 18,033</u>	<u>\$ 277,803</u>	<u>\$ 420,349</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Payables	\$ 15,782	\$ 298	\$ 41,589	\$ 57,669
Technical bank overdraft	8,012	-	-	8,012
Due to component unit	-	-	32,460	32,460
Due to other funds	81,270	15,665	83,987	180,922
Total liabilities	<u>105,064</u>	<u>15,963</u>	<u>158,036</u>	<u>279,063</u>
Fund balances:				
Unreserved, undesignated	19,449	2,070	-	21,519
Unreserved, undesignated of other funds:				
Special revenue	-	-	45,523	45,523
Debt service	-	-	74,244	74,244
Total fund balances	<u>19,449</u>	<u>2,070</u>	<u>119,767</u>	<u>141,286</u>
Total liabilities and fund balances	<u>\$ 124,513</u>	<u>\$ 18,033</u>	<u>\$ 277,803</u>	<u>\$ 420,349</u>

Total fund balances \$ 141,286

Amounts reported for *governmental activities* in the statement of net assets (page 5)  
are different because:

Capital assets used in <i>governmental activities</i> are not financial resources	2,040,194
Certain assets and liabilities of the internal service fund included	58,440
Accrual of compensated absences (\$7,765) and interest (\$839)	(7,765)
Long-term liabilities, including bonds and notes payable	<u>(100,506)</u>
Net assets of <i>governmental activities</i>	<u>\$ 2,131,649</u>

See notes to the financial statements

**City of Bangor**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

*Year ended June 30, 2008*

	<u>General</u>	<u>Major Street</u>	<u>Other govern- mental funds</u>	<u>Totals govern- mental funds</u>
<b>REVENUES</b>				
Taxes	\$ 400,873	\$ -	\$ 259,235	\$ 660,108
Federal grants	-	-	68,800	68,800
State grants	274,113	137,426	42,465	454,004
Local units of government	-	21,365	2,000	23,365
Fines and forfeitures	11,493	-	-	11,493
Licenses and permits	12,298	-	-	12,298
Charges for services	99,142	-	-	99,142
Interest and rentals	18,854	1	7	18,862
Total revenues	<u>816,773</u>	<u>158,792</u>	<u>372,507</u>	<u>1,348,072</u>
<b>EXPENDITURES</b>				
Legislative	11,372	-	-	11,372
General government	286,816	-	-	286,816
Public safety	348,774	-	149,208	497,982
Public works	127,971	181,779	177,413	487,163
Health and welfare	-	-	14,216	14,216
Recreation and culture	32,828	-	115	32,943
Debt service:				
Principal	-	600	41,800	42,400
Interest	-	574	7,059	7,633
Total expenditures	<u>807,761</u>	<u>182,953</u>	<u>389,811</u>	<u>1,380,525</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>9,012</u>	<u>(24,161)</u>	<u>(17,304)</u>	<u>(32,453)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from other funds	-	-	63,576	63,576
Transfers out to other funds	(63,576)	-	-	(63,576)
Total other financing sources (uses)	<u>(63,576)</u>	<u>-</u>	<u>63,576</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(54,564)</u>	<u>(24,161)</u>	<u>46,272</u>	<u>(32,453)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>74,013</u>	<u>26,231</u>	<u>73,495</u>	<u>173,739</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 19,449</u>	<u>\$ 2,070</u>	<u>\$ 119,767</u>	<u>\$ 141,286</u>

*See notes to the financial statements*

**City of Bangor**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended June 30, 2008*

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Reconciliation of the statement of revenues, expenditures, and changes  
in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8)	\$ (32,453)
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Amounts reported for *governmental activities* in the statement of  
activities are different because:

Capital assets:

Additions	122,982
Provision for depreciation	(99,394)

Long-term obligations - repayment of long-term debt	42,400
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Increase in interest payable	(839)
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Decrease in compensated absences liability	245
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Certain net loss of the internal service fund is reported with <i>governmental activities</i>	<u>(39,244)</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ (6,303)</u>
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*See notes to the financial statements*

**City of Bangor**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2008

	<b>Business-type activities</b>			<b>Govern- mental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 645	\$ 627	\$ 1,272	\$ -
Receivables	76,531	38,625	115,156	8,184
Due from other funds	-	87,725	87,725	64,426
Prepaid items	1,268	1,268	2,536	3,269
Total current assets	78,444	128,245	206,689	75,879
Noncurrent assets:				
Capital assets not being depreciated - land	25,825	35,102	60,927	-
Capital assets, net of accumulated depreciation	5,858,530	882,894	6,741,424	106,282
Deferred charges	82,033	-	82,033	-
Total noncurrent assets	5,966,388	917,996	6,884,384	106,282
Total assets	6,044,832	1,046,241	7,091,073	182,161
<b>LIABILITIES</b>				
Current liabilities:				
Payables	56,399	6,097	62,496	33,546
Due to other funds	102,689	-	102,689	104,605
Customer deposits	-	7,807	7,807	-
Current portion of long-term obligations	100,000	-	100,000	-
Total current liabilities	259,088	13,904	272,992	138,151
Noncurrent liabilities - long-term obligations	1,940,000	-	1,940,000	-
Total liabilities	2,199,088	13,904	2,212,992	138,151
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,844,355	917,996	4,762,351	106,282
Unrestricted	1,389	114,341	115,730	(62,272)
Total net assets	\$ 3,845,744	\$ 1,032,337	\$ 4,878,081	\$ 44,010

See notes to the financial statements

**STATEMENT OF NET ASSETS - *proprietary funds*(Continued)**

June 30, 2008

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Total net assets - enterprise funds	\$ 4,878,081
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Some amounts reported for <i>business-type activities</i> in the statement of net assets (page 5) are different because certain assets and liabilities of the internal service fund have been included with <i>business-type activities</i> .	<u>(14,430)</u>
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Net assets of <i>business-type activities</i>	<u>\$ 4,863,651</u>
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City of Bangor

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET

ASSETS - *proprietary funds*

Year ended June 30, 2008

	<i>Business-type activities</i>			<i>Govern- mental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 344,245	\$ 282,363	\$ 626,608	\$ 147,504
Other	40,805	8,708	49,513	-
Total operating revenues	385,050	291,071	676,121	147,504
<b>OPERATING EXPENSES</b>				
Personnel costs	149,000	152,706	301,706	92,034
Contracted services	126,155	31,410	157,565	50,885
Supplies	13,628	28,440	42,068	42,192
Internal charges	15,300	25,854	41,154	-
Depreciation	167,156	34,523	201,679	32,024
Total operating expenses	471,239	272,933	744,172	217,135
Operating income (loss)	(86,189)	18,138	(68,051)	(69,631)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal grants	-	-	-	14,000
Gain on disposition of capital assets	-	-	-	629
Interest	26	26	52	-
Interest expense	(43,138)	(806)	(43,944)	-
Net nonoperating revenues (expenses)	(43,112)	(780)	(43,892)	14,629
<b>CHANGE IN NET ASSETS</b>	(129,301)	17,358	(111,943)	(55,002)
<b>NET ASSETS - BEGINNING</b>	3,975,045	1,014,979	4,990,024	99,012
<b>NET ASSETS - ENDING</b>	\$ 3,845,744	\$ 1,032,337	\$ 4,878,081	\$ 44,010
Change in net assets of enterprise funds			\$ (111,943)	
Allocation of net operating loss of internal service fund			(15,758)	
Change in net assets of business-type activities (page 6)			\$ (127,701)	

See notes to the financial statements

**City of Bangor**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2008

	<b>Business-type activities</b>			<b>Govern- mental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 359,801	\$ 296,275	\$ 656,076	\$ 84,676
Payments to employees	(56,951)	(55,624)	(112,575)	(72,703)
Payments to vendors and suppliers	(197,964)	(153,788)	(351,752)	(109,302)
Internal activity - payments to other funds	(15,300)	(25,854)	(41,154)	-
Net cash provided by (used in) operating activities	89,586	61,009	150,595	(97,329)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase in amounts due from other funds	-	(37,725)	(37,725)	-
Increase in amounts due to other funds	52,689	-	52,689	104,605
Net cash provided by (used in) noncapital financing activities	52,689	(37,725)	14,964	104,605
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants	-	-	-	14,000
Proceeds from disposition of capital assets	-	-	-	8,305
Acquisition of capital assets	-	(21,873)	(21,873)	(70,784)
Principal payments on long-term debt	(95,000)	(26,632)	(121,632)	-
Interest payments on long-term debt	(52,767)	(1,160)	(53,927)	-
Net cash used in capital and related financing activities	(147,767)	(49,665)	(197,432)	(48,479)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	26	26	52	-
<b>NET DECREASE IN CASH</b>	(5,466)	(26,355)	(31,821)	(41,203)
<b>CASH - BEGINNING</b>	6,111	26,982	33,093	41,203
<b>CASH - ENDING</b>	\$ 645	\$ 627	\$ 1,272	\$ -

See notes to the financial statements

**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended June 30, 2008

	<u>Business-type activities</u>			<u>Govern- mental activities</u>
	<u>Enterprise funds</u>			<u>Internal service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
<b>Reconciliation of operating income</b>				
<b>(loss) to net cash provided by</b>				
<b>(used in) operating activities:</b>				
Operating income (loss)	\$ (86,189)	\$ 18,138	\$ (68,051)	\$ (69,631)
Adjustments to reconcile operating income				
(loss) to net cash provided by (used in)				
operating activities:				
Depreciation	167,156	34,523	201,679	32,024
(Increase) decrease in:				
Receivables	(25,249)	4,004	(21,245)	1,598
Due from other funds	-	-	-	(64,426)
Prepaid items	(1,268)	(1,268)	(2,536)	(3,269)
Increase (decrease) in:				
Payables	35,136	4,412	39,548	6,375
Customer deposits	-	1,200	1,200	-
Net cash provided by (used in)				
operating activities	<u>\$ 89,586</u>	<u>\$ 61,009</u>	<u>\$ 150,595</u>	<u>\$ (97,329)</u>

See notes to the financial statements

*City of Bangor*  
**STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund***  
*June 30, 2008*

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**ASSETS**

Receivables, net	<u>\$ 63,805</u>
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**LIABILITIES**

Due to other governmental units	<u>\$ 63,805</u>
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*See notes to the financial statements*

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Bangor, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

*Discretely-presented component units:*

*Downtown Development Authority and Economic Development Corporation:*

Each component units' governing body is appointed by the City Council and their budgets must be approved by the City Council. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

*Hospital Finance Authority:*

The Hospital Finance Authority (the Authority) was created to provide a method to enable nonprofit, nonpublic hospitals to provide facilities and services for health care, and to accomplish these purposes, the Authority is authorized to issue bonds. A three-person Commission, appointed by the City Council, governs the Authority that may not issue debt without the approval of the City Council. The Authority has no assets, liabilities, equity, revenues, or expenses; therefore, no separate columns have been included in the financial statements associated with the Authority.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the City.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports the following fund types:

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

The Agency Fund, a fiduciary fund, accounts for financial assets held for other units of government.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

*iii) Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the straight-line method.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*iv) Capital assets (continued)*

activities either retroactively to June 15, 1980, or prospectively. The City has elected to account for its infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Vehicles	4 - 20 years
Infrastructure	50 years

*v) Compensated absences* - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of July 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

During the year ended June 30, 2008, the City incurred expenditures, which were in excess of the amounts appropriated. The following table sets forth the significant expenditures in excess of budget.

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	City Hall	\$ 19,325	\$ 47,270	\$ 27,945
		Cemetery	22,450	24,589	2,139
		Other	18,685	29,980	11,295
	Public safety	Police	272,800	285,014	12,214
		Building inspection	37,550	63,760	26,210
	Public works	Street lighting	26,000	28,478	2,478

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):**

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Recreation and culture	Parks	\$ 28,115	\$ 31,547	\$ 3,432
Major Street	Public works	Traffic services	1,215	7,860	6,645
		Winter maintenance	10,225	35,155	24,930
		Trunkline maintenance	7,690	12,486	4,796
Local Street	Public works	Winter maintenance	10,105	24,530	14,425
	Debt service	Principal	-	1,800	1,800
Bangor Fire District	Public safety	Fire protection	71,250	72,965	1,715

**NOTE 3 - CASH AND INVESTMENTS:**

Cash as presented in the accompanying financial statements, as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>
Cash	\$ 1,238	\$ 1,272	\$ 2,510
Technical bank overdraft	(8,012)	-	(8,012)
Totals	<u>\$ (6,774)</u>	<u>\$ 1,272</u>	<u>\$ (5,502)</u>

Cash consists of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>
Deposits	\$ (7,505)	\$ -	\$ (7,505)
Investments	591	1,272	1,863
Cash on hand	140	-	140
Total cash	<u>\$ (6,774)</u>	<u>\$ 1,272</u>	<u>\$ (5,502)</u>

**Deposits:**

Custodial credit risk of deposits is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2008, none of the City's corresponding bank balances of \$10,436 was exposed to custodial credit risk. The City maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS (Continued):**

The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Investments:**

State statutes and the City's investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools composed of otherwise legal investments. At June 30, 2008, the primary government's investments consisted of \$1,863 in the Cooperative Liquid Asset Security System a non-risk categorized holding, which is reported at cost, which approximates fair value.

**NOTE 4 - RECEIVABLES:**

At June 30, 2008, the City's receivables were as follows:

	<i>Property taxes</i>	<i>Accounts</i>	<i>Inter- govern- mental</i>	<i>Loans</i>	<i>Totals</i>
Governmental funds:					
General	\$ 630	\$ 16,012	\$ 86,125	\$ -	\$ 102,767
Major Street	-	-	17,740	-	17,740
Non-major funds	<u>6,334</u>	<u>-</u>	<u>34,523</u>	<u>-</u>	<u>40,857</u>
Total governmental funds	<u>\$ 6,964</u>	<u>\$ 16,012</u>	<u>\$ 138,388</u>	<u>\$ -</u>	<u>\$ 161,364</u>
Proprietary funds:					
Enterprise funds:					
Sewer	\$ -	\$ 76,531	\$ -	\$ -	\$ 76,531
Water	-	38,625	-	-	38,625
Internal Service	<u>-</u>	<u>8,184</u>	<u>-</u>	<u>-</u>	<u>8,184</u>
Total proprietary funds	<u>\$ -</u>	<u>\$ 123,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,340</u>
Fiduciary fund - Agency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,805</u>	<u>\$ 63,805</u>

All receivables are considered fully collectible, and, except for loans, all are due within one year.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 28,342	\$ -	\$ -	\$ 28,342
Capital assets being depreciated:				
Land improvements	556,215	-	-	556,215
Buildings	593,521	-	-	593,521
Furniture, fixtures, and equipment	315,312	15,251	-	330,563
Vehicles	312,425	60,903	(20,935)	352,393
Roads	1,157,094	117,612	-	1,274,706
Subtotal	<u>2,934,567</u>	<u>193,766</u>	<u>(20,935)</u>	<u>3,107,398</u>
Less accumulated depreciation for:				
Land improvements	(38,834)	(26,897)	-	(65,731)
Buildings	(217,964)	(13,386)	-	(231,350)
Furniture, fixtures, and equipment	(267,296)	(16,437)	-	(283,733)
Vehicles	(283,737)	(16,353)	13,259	(286,831)
Roads	(63,274)	(58,345)	-	(121,619)
Subtotal	<u>(871,105)</u>	<u>(131,418)</u>	<u>13,259</u>	<u>(989,264)</u>
Total capital assets being depreciated, net	<u>2,063,462</u>	<u>62,348</u>	<u>(7,676)</u>	<u>2,118,134</u>
Governmental activities, capital assets, net	<u>\$ 2,091,804</u>	<u>\$ 62,348</u>	<u>\$ (7,676)</u>	<u>\$ 2,146,476</u>

Depreciation expense (exclusive of internal service fund allocations) was charged to governmental activities as follows:

General government	\$ 15,251
Public works	57,246
Recreation and culture	<u>26,897</u>
Total	<u>\$ 99,394</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Sewer Fund:				
Capital assets not being depreciated - land	\$ 25,825	\$ -	\$ -	\$ 25,825
Capital assets being depreciated:				
Sewer system	6,684,097	-	-	6,684,097
Equipment	44,317	-	-	44,317
Subtotal	6,728,414	-	-	6,728,414
Less accumulated depreciation for:				
Sewer system	(684,351)	(163,554)	-	(847,905)
Equipment	(18,377)	(3,602)	-	(21,979)
Subtotal	(702,728)	(167,156)	-	(869,884)
Total capital assets being depreciated, net	6,025,686	(167,156)	-	5,858,530
Sewer fund capital assets, net	6,051,511	(167,156)	-	5,884,355
Water Fund:				
Capital assets not being depreciated - land	35,102	-	-	35,102
Capital assets being depreciated:				
Water system	1,363,893	16,253	-	1,380,146
Equipment	40,177	5,620	-	45,797
Subtotal	1,404,070	21,873	-	1,425,943
Less accumulated depreciation for:				
Water system	(469,893)	(33,746)	-	(503,639)
Equipment	(38,633)	(777)	-	(39,410)
Subtotal	(508,526)	(34,523)	-	(543,049)
Total capital assets being depreciated, net	895,544	(12,650)	-	882,894
Water Fund capital assets, net	930,646	(12,650)	-	917,996
Business-type activities, capital assets, net	\$ 6,982,157	\$ (179,806)	\$ -	\$ 6,802,351

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - INTERFUND BALANCES AND TRANSFERS:**

At June 30, 2008, interfund balances consisted of the following:

<u>Due to:</u>		<u>Due from:</u>	
Local Street	<u>\$ 17,008</u>	General	<u>\$ 17,008</u>
Senior Services	<u>1,910</u>	Capital Projects	<u>1,910</u>
Bangor Fire District	<u>16,853</u>	Capital Projects	<u>16,853</u>
Library Maintenance	<u>26,760</u>	Capital Projects	<u>26,760</u>
Capital Projects	<u>64,262</u>	General	<u>64,262</u>
1994 Capital Improvement Bond	<u>109,273</u>	Capital Projects	2,184
		Sewer	40,208
		Motor Vehicle Pool	<u>66,881</u>
			<u>109,273</u>
Water	<u>87,725</u>	Sewer	50,000
		Motor Vehicle Pool	<u>37,725</u>
			<u>87,725</u>
Motor Vehicle Pool	<u>64,426</u>	Major Street	15,665
		Local Street	24,604
		Capital Projects	11,676
		Sewer	<u>12,481</u>
			<u>64,426</u>
Totals	<u>\$ 388,217</u>		<u>\$ 388,217</u>

Interfund balances represent temporary borrowings in support of operations.

The General Fund made the following transfers to other funds in support of operations or capital outlays.

Local Street	\$ 11,975
Library Maintenance	5,000
Capital Projects	<u>46,601</u>
	<u>\$ 63,576</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - PAYABLES:**

At June 30, 2008, the City's payables, by fund, were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- govern- mental</u>	<u>Debt service</u>	<u>Totals</u>
Governmental funds:					
General	\$ 12,290	\$ 3,492	\$ -	\$ -	\$ 15,782
Major Street	-	298	-	-	298
Non-major funds	-	226	-	41,363	41,589
Total governmental funds	<u>\$ 12,290</u>	<u>\$ 4,016</u>	<u>\$ -</u>	<u>\$ 41,363</u>	<u>\$ 57,669</u>
Proprietary funds					
Enterprise:					
Sewer	\$ 5,497	\$ 656	\$ 33,671	\$ 16,575	\$ 56,399
Water	5,498	599	-	-	6,097
	10,995	1,255	33,671	16,575	62,496
Internal service	13,538	20,008	-	-	33,546
Total proprietary funds	<u>\$ 24,533</u>	<u>\$ 21,263</u>	<u>\$ 33,671</u>	<u>\$ 16,575</u>	<u>\$ 96,042</u>

**NOTE 8 - AMOUNTS DUE TO COMPONENT UNIT:**

Amounts shown as due to component unit represent non-interest bearing temporary borrowings.

**NOTE 9 - LONG-TERM DEBT:**

At June 30, 2008, long-term liabilities are comprised of the following individual issues:

Primary government:	
Governmental activities:	
Bonds and notes:	
\$456,000 5.71% 1994 Unlimited Tax General Obligation Bonds; due in annual installments of \$20,000 to \$45,000, plus interest through May 2009.	\$ 85,000
\$64,400 4.00% 2003 note payable, Michigan State Infrastructure Bank; due in quarterly installments of \$1,174, including interest, beginning October 2003 through April 2023, plus a balloon payment of \$5,405 in July 2023.	54,667
Total bonds and notes	139,667
Accrued compensated absences	7,765
Total governmental activities long-term obligations	<u>\$ 147,432</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 - LONG-TERM LIABILITIES (Continued):**

Business-type activities:

Bonds and notes:

\$2,200,000 1.625% 2006 Sewage Disposal System Revenue and Revenue Refunding Bonds (Limited Tax General Obligation); due in annual installments of \$65,000 to \$130,000, plus interest beginning April 2006 through April 2026. \$ 2,040,000

Component units:

Downtown Development Authority:

\$154,000 5.50% 1994 Note payable, bank; payable in quarterly installments of \$3,786, including interest through November 2008. \$ 7,674

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Primary government:					
Governmental activities:					
1994 Bonds	\$ 85,000	\$ -	\$ -	\$ 85,000	\$ 85,000
2003 Notes	<u>57,067</u>	<u>-</u>	<u>(2,400)</u>	<u>54,667</u>	<u>2,400</u>
Total bonds and notes	142,067	-	(2,400)	139,667	87,400
Compensated absences	<u>8,010</u>	<u>6,200</u>	<u>(6,445)</u>	<u>7,765</u>	<u>-</u>
	<u>\$ 150,077</u>	<u>\$ 6,200</u>	<u>\$ (8,845)</u>	<u>\$ 147,432</u>	<u>\$ 87,400</u>
Business-type activities:					
2003 Note	\$ 26,632	\$ -	\$ (26,632)	\$ -	\$ -
2006 Bonds	<u>2,135,000</u>	<u>-</u>	<u>(95,000)</u>	<u>2,040,000</u>	<u>100,000</u>
Total bonds and notes	<u>\$ 2,161,632</u>	<u>\$ -</u>	<u>\$ (121,632)</u>	<u>\$ 2,040,000</u>	<u>\$ 100,000</u>
Discretely-presented component units:					
Downtown Development Authority:					
1994 Note	<u>\$ 21,719</u>	<u>\$ -</u>	<u>\$ (14,045)</u>	<u>\$ 7,674</u>	<u>\$ 7,674</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 - LONG-TERM LIABILITIES (Continued):**

At June 30, 2008, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended June 30:</i>	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Component unit</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2009	\$ 87,505	\$ 6,325	\$ 100,000	\$ 33,150	\$ 7,674	\$ 283
2010	2,606	2,089	100,000	31,525	-	-
2011	2,711	1,983	100,000	29,900	-	-
2012	2,816	1,878	105,000	28,275	-	-
2013	2,936	1,759	105,000	26,569	-	-
2014 - 2018	16,565	6,911	550,000	106,761	-	-
2019 - 2023	20,211	6,238	600,000	60,449	-	-
2024 - 2028	4,317	53	380,000	12,434	-	-
Totals	<u>\$ 139,667</u>	<u>\$ 27,236</u>	<u>\$ 2,040,000</u>	<u>\$ 329,063</u>	<u>\$ 7,674</u>	<u>\$ 283</u>

All debt is secured by the full faith and credit of the City.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN:**

**Plan description:**

The City's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

**Funding policy:**

MERS members are required to contribute an amount varying between -0- and 10 percent, based on the benefit structure established by each employer. The City is required to contribute at an actuarially determined rate, which currently is -0- percent. Covered employees are not required to contribute to the plan. Administrative costs of the plan are financed through investment earnings.

**Annual pension cost:**

For the year ended June 30, 2008, the City's annual pension cost of \$ -0- for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2007, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: a) 8 percent investment rate of return, net of administrative expenses, b) projected salary increases of 4.50 percent per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan has an unfunded actuarial accrued benefit, which is being amortized over 10 years as a level percentage of payroll.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued):**

Three-year trend information:

For the years ended June 30, 2008, 2007, and 2006, the City was not required to make a contribution into the plan.

Funded status and funding progress:

The funded status of the plan for the most recent three actuarial dates, are as follows:

<i>Valuation date, December 31,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>(Over funded) AAL (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
2005	\$ 1,925,656	\$ 1,256,112	\$ (669,544)	153%	\$488,221	-137%
2006	2,010,305	1,329,807	(680,498)	151%	503,411	-135%
2007	2,108,075	1,310,476	(797,599)	161%	522,590	-153%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Certain other accounting policies and plan asset matters are discussed in greater detail in the City's actuarial valuation.

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS:**

The City provides post-employment health benefits, as per the requirements of a City labor agreement. All non-disability retirees of the plan are eligible for this benefit. Currently, seven retirees meet these eligibility requirements. The City purchases commercial health insurance to provide this benefit, which is provided for the life of the retiree and spouse for current retirees. The insurance policy provides coverage of medical expenses and costs for all pre-Medicare age retirees similar to the benefit available to active employees. A reduced coverage policy, or Medicare supplement, is provided for each retiree eligible for Medicare. Expenditures approximated \$88,100 in 2008.

**NOTE 12 - CLAIMS ARISING FROM RISKS OF LOSS:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public-entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - CLAIMS ARISING FROM RISKS OF LOSS (Continued):**

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public-entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

**NOTE 13 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2008, is as follows:

Revenues	\$ 12,298
Expenses	<u>63,760</u>
Deficiency of revenues over expenses	<u>\$ 76,058</u>

**NOTE 14 - JOINT VENTURES:**

**ABB Fire District:**

The City has joined with the Townships of Arlington and Bangor in establishing the ABB Joint Fire District (the District) to provide fire protection in the District's area of operation, which includes the City of Bangor. The operations of the District are financed by annual support from the participating units of government. The District's Board is composed of two members appointed from each of the participating municipalities. During the year ended June 30, 2008, the City contributed \$72,965 toward the District's operations. There is no equity interest by any participating unit in the District. Complete financial statements can be obtained from the District at 417 West Arlington Street, Bangor, Michigan.

**South Haven Regional Airport Authority:**

The City has joined with the City of South Haven and the Townships of South Haven, Geneva, Casco, and Covert in establishing the South Haven Regional Airport Authority (the Authority) to provide airfield services in the Authority's area of operation, which includes the City of Bangor. The Authority's board is composed of two members appointed from both the City of Bangor and the City of South Haven and one member appointed from each of the remaining municipalities. The operations of the Authority are financed by annual support from the participating units of government, as well as hangar rentals and fuel sales. During the year ended June 30, 2008, the City contributed \$7,042 toward the Authority's operations. There is no equity interest by any participating unit in the Authority. Complete financial statements can be obtained from the Authority at 73020 CR 380, South Haven, Michigan.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 15 - PRIOR PERIOD ADJUSTMENTS:**

In 2008, the City recorded the following prior period adjustments to correct its method of accounting for certain debt service liabilities. The beginning of year net assets/fund balances shown in the accompanying financial statements reflect the restated amounts.

	<i>Net assets:</i>	
	<i>Govern- mental activities</i>	<i>Business- type activities</i>
Balance, beginning of year		
As previously reported	\$ 2,148,889	\$ 5,008,676
Prior period adjustments:		
Understatement of:		
Interest payable	(1,719)	(17,324)
Long-term debt, matured	(9,218)	-
As restated	<u>\$ 2,137,952</u>	<u>\$ 4,991,352</u>

	<i>Fund balances, Governmental funds:</i>	
	<i>Non-major funds</i>	<i>Total</i>
Balance, beginning of year		
As previously reported	\$ 82,713	\$ 182,957
Prior period adjustments:		
Understatement of long-term debt, matured	(9,218)	(9,218)
As restated	<u>\$ 73,495</u>	<u>\$ 173,739</u>

	<i>Net assets, Proprietary funds:</i>	
	<i>Sewer Fund</i>	<i>Total</i>
Balance, beginning of year		
As previously reported	\$ 3,992,369	\$ 5,007,348
Prior period adjustments:		
Understatement of interest payable	(17,324)	(17,324)
As restated	<u>\$ 3,975,045</u>	<u>\$ 4,990,024</u>

*City of Bangor*  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 16 - RESTRICTED NET ASSETS, GOVERNMENTAL ACTIVITIES:

Restricted net assets of governmental activities at June 30, 2008, consists of the following:

Debt service	\$ 113,405
Recreation and culture	26,760
Public safety	16,853
Public works	2,070
Health and welfare	<u>1,910</u>
 Total restricted net assets	 <u>\$ 160,998</u>

## REQUIRED SUPPLEMENTARY INFORMATION

*City of Bangor*

**BUDGETARY COMPARISON SCHEDULE - General Fund**

*Year ended June 30, 2008*

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 407,700	\$ 407,700	\$ 400,873	\$ (6,827)
State grants	272,085	272,085	274,113	2,028
Fines and forfeitures	8,900	8,900	11,493	2,593
Licenses and permits	15,000	15,000	12,298	(2,702)
Charges for services	84,350	84,350	99,142	14,792
Interest and rentals	<u>17,200</u>	<u>17,200</u>	<u>18,854</u>	<u>1,654</u>
Total revenues	<u>805,235</u>	<u>805,235</u>	<u>816,773</u>	<u>11,538</u>
<b>EXPENDITURES</b>				
Legislative	<u>9,500</u>	<u>9,500</u>	<u>11,372</u>	<u>(1,872)</u>
General government:				
City Manager	65,145	65,145	65,081	64
Clerk	32,900	32,900	33,069	(169)
Treasurer	89,930	89,930	86,827	3,103
City Hall	19,325	19,325	47,270	(27,945)
Cemetery	22,450	22,450	24,589	(2,139)
Other	<u>18,685</u>	<u>18,685</u>	<u>29,980</u>	<u>(11,295)</u>
Total general government	<u>248,435</u>	<u>248,435</u>	<u>286,816</u>	<u>(38,381)</u>
Public safety:				
Police	272,800	272,800	285,014	(12,214)
Building inspection	<u>37,550</u>	<u>37,550</u>	<u>63,760</u>	<u>(26,210)</u>
Total public safety	<u>310,350</u>	<u>310,350</u>	<u>348,774</u>	<u>(38,424)</u>
Public works:				
Recycling	68,000	68,000	69,414	(1,414)
Public service	35,130	35,130	23,037	12,093
Street lighting	26,000	26,000	28,478	(2,478)
Airport	<u>5,900</u>	<u>5,900</u>	<u>7,042</u>	<u>(1,142)</u>
Total public works	<u>135,030</u>	<u>135,030</u>	<u>127,971</u>	<u>7,059</u>

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Recreation and culture:				
Parks	\$ 28,115	\$ 28,115	\$ 31,547	\$ (3,432)
Library	<u>1,060</u>	<u>1,060</u>	<u>1,281</u>	<u>(221)</u>
Total recreation and culture	<u>29,175</u>	<u>29,175</u>	<u>32,828</u>	<u>(3,653)</u>
Total expenditures	<u>732,490</u>	<u>732,490</u>	<u>807,761</u>	<u>(75,271)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>72,745</u>	<u>72,745</u>	<u>9,012</u>	<u>(63,733)</u>
<b>OTHER FINANCING USES</b>				
Transfers out:				
Major Street Fund	(21,000)	(21,000)	-	21,000
Local Street Fund	(50,000)	(50,000)	(11,975)	38,025
Library Maintenance Fund	(5,000)	(5,000)	(5,000)	-
Capital Projects Fund	<u>(46,601)</u>	<u>(46,601)</u>	<u>(46,601)</u>	<u>-</u>
Total other financing uses	<u>(122,601)</u>	<u>(122,601)</u>	<u>(63,576)</u>	<u>59,025</u>
<b>NET CHANGE IN FUND BALANCES</b>	(49,856)	(49,856)	(54,564)	(4,708)
<b>FUND BALANCES - BEGINNING</b>	<u>74,013</u>	<u>74,013</u>	<u>74,013</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 24,157</u>	<u>\$ 24,157</u>	<u>\$ 19,449</u>	<u>\$ (4,708)</u>

**City of Bangor**  
**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**  
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 113,450	\$ 113,450	\$ 137,426	\$ 23,976
Local unit contributions	-	-	21,365	21,365
Interest	200	200	1	(199)
Total revenues	<u>113,650</u>	<u>113,650</u>	<u>158,792</u>	<u>45,142</u>
<b>EXPENDITURES</b>				
Public works:				
Street preservation	20,000	20,000	17,762	2,238
Bridge maintenance	3,910	3,910	116	3,794
Traffic services	1,215	1,215	7,860	(6,645)
Winter maintenance	10,225	10,225	35,155	(24,930)
Routine maintenance	103,800	103,800	98,279	5,521
Trunkline maintenance	7,690	7,690	12,486	(4,796)
Administration	<u>12,750</u>	<u>12,750</u>	<u>10,121</u>	<u>2,629</u>
Total public works	159,590	159,590	181,779	(22,189)
Debt service:				
Principal	-	-	600	(600)
Interest	<u>640</u>	<u>640</u>	<u>574</u>	<u>66</u>
Total expenditures	<u>160,230</u>	<u>160,230</u>	<u>182,953</u>	<u>(22,723)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(46,580)	(46,580)	(24,161)	22,419
<b>OTHER FINANCING SOURCES</b>				
Transfer in from General Fund	<u>21,000</u>	<u>21,000</u>	<u>-</u>	<u>(21,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(25,580)	(25,580)	(24,161)	1,419
<b>FUND BALANCES - BEGINNING</b>	<u>26,231</u>	<u>26,231</u>	<u>26,231</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 651</u>	<u>\$ 651</u>	<u>\$ 2,070</u>	<u>\$ 1,419</u>

**City of Bangor**  
**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System**  
*(Municipal Employees' Retirement System of Michigan)*

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The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

<i>Actuarial valuation date December 31:</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (ALL) entry age (b)</i>	<i>Funded ratio (a)/(b)</i>	<i>(Over- funded) ALL (b-a)</i>	<i>Covered payroll (c)</i>	<i>(Over- funded) ALL as a percentage of covered payroll ((b-a)/c)</i>
1998	\$ 1,477,738	\$ 974,561	152%	\$ (503,177)	\$ 427,886	-118%
1999	1,643,395	1,028,311	160%	(615,084)	387,547	-159%
2000	1,741,519	1,064,244	164%	(677,275)	422,031	-160%
2001	1,790,847	1,081,042	166%	(709,805)	471,591	-151%
2002	1,774,124	1,081,193	164%	(692,931)	456,995	-152%
2003	1,828,396	1,188,955	154%	(639,441)	455,301	-140%
2004	1,877,240	1,236,525	152%	(640,715)	502,834	-127%
2005	1,925,656	1,256,112	153%	(669,544)	488,221	-137%
2006	2,010,305	1,329,807	151%	(680,498)	503,411	-135%
2007	2,108,075	1,310,473	161%	(797,602)	522,590	-153%

## **SUPPLEMENTARY INFORMATION**

**COMBINING BALANCE SHEET - other governmental funds**

June 30, 2008

	<i>Special revenue funds</i>					
	<i>Local Street</i>	<i>Police</i>	<i>South Haven Hospital Authority</i>	<i>Senior Services</i>	<i>Bangor Fire District</i>	<i>Library Mainten- ance</i>
<b>ASSETS</b>						
Receivables, net	\$ 6,942	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	880	-	-	-	-	-
Due from other funds	<u>17,008</u>	<u>-</u>	<u>-</u>	<u>1,910</u>	<u>16,853</u>	<u>26,760</u>
Total assets	<u>\$ 24,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,910</u>	<u>\$ 16,853</u>	<u>\$ 26,760</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Payables	\$ 226	\$ -	\$ -	\$ -	\$ -	\$ -
Due to component unit	-	-	-	-	-	-
Due to other funds	<u>24,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>24,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - unreserved, undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,910</u>	<u>16,853</u>	<u>26,760</u>
Total liabilities and fund balances	<u>\$ 24,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,910</u>	<u>\$ 16,853</u>	<u>\$ 26,760</u>

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		<u>Debt service</u>	
		<u>1994</u>	<u>Total</u>
<u>Totals</u>	<u>Capital Projects</u>	<u>Capital Improve- ment Bond</u>	<u>other govern- mental funds</u>
\$ 6,942	\$ 27,581	\$ 6,334	\$ 40,857
880	-	-	880
<u>62,531</u>	<u>64,262</u>	<u>109,273</u>	<u>236,066</u>
<u>\$ 70,353</u>	<u>\$ 91,843</u>	<u>\$ 115,607</u>	<u>\$ 277,803</u>
\$ 226	\$ -	\$ 41,363	\$ 41,589
-	32,460	-	32,460
<u>24,604</u>	<u>59,383</u>	<u>-</u>	<u>83,987</u>
<u>24,830</u>	<u>91,843</u>	<u>41,363</u>	<u>158,036</u>
<u>45,523</u>	<u>-</u>	<u>74,244</u>	<u>119,767</u>
<u>\$ 70,353</u>	<u>\$ 91,843</u>	<u>\$ 115,607</u>	<u>\$ 277,803</u>

*City of Bangor*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - other governmental funds**

*Year ended June 30, 2008*

	<u>Special revenue funds</u>			
	<u>Local Street</u>	<u>Police</u>	<u>South Haven Hospital Authority</u>	<u>Senior Services</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ 76,243	\$ 9,433	\$ 6,679
Federal grants	-	-	-	-
State grants	42,465	-	-	-
Local units of government	-	-	-	-
Interest	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>42,466</u>	<u>76,243</u>	<u>9,433</u>	<u>6,679</u>
<b>EXPENDITURES</b>				
Public safety	-	76,243	-	-
Public works	58,811	-	-	-
Health and welfare	-	-	9,433	4,783
Recreation and culture	-	-	-	-
Debt service:				
Principal	1,800	-	-	-
Interest	<u>1,721</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>62,332</u>	<u>76,243</u>	<u>9,433</u>	<u>4,783</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(19,866)	-	-	1,896
<b>OTHER FINANCING SOURCES</b>				
Operating transfer in	<u>11,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(7,891)	-	-	1,896
<b>FUND BALANCES - BEGINNING</b>	<u>7,891</u>	<u>-</u>	<u>-</u>	<u>14</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,910</u>

				<u>Debt service</u>	
				<u>1994</u>	<u>Total</u>
<u>Bangor Fire District</u>	<u>Library Mainten- ance</u>	<u>Totals</u>	<u>Capital Projects</u>	<u>Capital Improve- ment Bond</u>	<u>other govern- mental funds</u>
\$ 76,876	\$ -	\$ 169,231	\$ -	\$ 90,004	\$ 259,235
-	-	-	68,800	-	68,800
-	-	42,465	-	-	42,465
-	2,000	2,000	-	-	2,000
-	1	2	4	1	7
<u>76,876</u>	<u>2,001</u>	<u>213,698</u>	<u>68,804</u>	<u>90,005</u>	<u>372,507</u>
72,965	-	149,208	-	-	149,208
-	-	58,811	118,602	-	177,413
-	-	14,216	-	-	14,216
-	115	115	-	-	115
-	-	1,800	-	40,000	41,800
-	-	1,721	-	5,338	7,059
<u>72,965</u>	<u>115</u>	<u>225,871</u>	<u>118,602</u>	<u>45,338</u>	<u>389,811</u>
3,911	1,886	(12,173)	(49,798)	44,667	(17,304)
-	5,000	16,975	46,601	-	63,576
3,911	6,886	4,802	(3,197)	44,667	46,272
<u>12,942</u>	<u>19,874</u>	<u>40,721</u>	<u>3,197</u>	<u>29,577</u>	<u>73,495</u>
<u>\$ 16,853</u>	<u>\$ 26,760</u>	<u>\$ 45,523</u>	<u>\$ -</u>	<u>\$ 74,244</u>	<u>\$ 119,767</u>

## SUPPLEMENTARY DATA

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS**

June 30, 2008

**PRIMARY GOVERNMENT**

Governmental activities:

\$456,000 5.71% 1994 Limited Tax General Obligation Bonds

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2008	\$ 1,456	5/1/2008	\$ 40,000	\$ 41,456
2009	<u>2,678</u>	5/1/2009	<u>45,000</u>	<u>47,678</u>
	<u>\$ 4,134</u>		<u>\$ 85,000</u>	<u>\$ 89,134</u>

\$64,400 4.00% 2003 Note payable, Michigan State Infrastructure Bank

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2009	\$ 2,191	Quarterly	\$ 2,505	\$ 4,696
2010	2,089	Quarterly	2,606	4,695
2011	1,983	Quarterly	2,711	4,694
2012	1,878	Quarterly	2,816	4,694
2013	1,759	Quarterly	2,936	4,695
2014	1,640	Quarterly	3,055	4,695
2015	1,516	Quarterly	3,180	4,696
2016	1,390	Quarterly	3,305	4,695
2017	1,252	Quarterly	3,443	4,695
2018	1,113	Quarterly	3,582	4,695
2019	967	Quarterly	3,728	4,695
2020	818	Quarterly	3,877	4,695
2021	658	Quarterly	4,036	4,694
2022	493	Quarterly	4,200	4,693
2023	324	Quarterly	4,370	4,694
2024	<u>53</u>	Quarterly	<u>4,317</u>	<u>4,370</u>
	<u>\$ 20,124</u>		<u>\$ 54,667</u>	<u>\$ 74,791</u>

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST  
REQUIREMENTS (Continued)**

June 30, 2008

**PRIMARY GOVERNMENT (Continued)**

Business-type activities:

\$2,200,000 1.625% 2006 Sewage Disposal System Revenue Bonds

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2009	\$ 33,150	April	\$ 100,000	\$ 133,150
2010	31,525	April	100,000	131,525
2011	29,900	April	100,000	129,900
2012	28,275	April	105,000	133,275
2013	26,569	April	105,000	131,569
2014	24,862	April	105,000	129,862
2015	23,156	April	110,000	133,156
2016	21,368	April	110,000	131,368
2017	19,581	April	110,000	129,581
2018	17,794	April	115,000	132,794
2019	15,925	April	115,000	130,925
2020	14,056	April	120,000	134,056
2021	12,106	April	120,000	132,106
2022	10,156	April	120,000	130,156
2023	8,206	April	125,000	133,206
2024	6,175	April	125,000	131,175
2025	4,144	April	125,000	129,144
2026	2,115	April	130,000	132,115
	<u>\$ 329,063</u>		<u>\$ 2,040,000</u>	<u>\$ 2,369,063</u>

**DISCRETELY-PRESENTED COMPONENT UNIT:**

Downtown Development Authority

\$154,000 5.50% 1994 Note payable, bank

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2009	\$ 283	Quarterly	\$ 7,674	\$ 7,957

January 19, 2009

To the City Council  
City of Bangor

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bangor for the year ended June 30, 2008, and have issued our report thereon dated January 19, 2009. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

As stated in our engagement letter dated April 19, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Bangor are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by the City of Bangor during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the City's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

#### *Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Bangor's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the City of Bangor as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Bangor's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- Policies and procedures to assure the proper preparation and review of bank reconciliations, and the timely recording of adjustments arising from the reconciliation process were not in place. We recommend that management establish policies and procedures (including monitoring activities) to assure that the accounting for cash is complete and accurate.
- Policies and procedures to assure the proper cut-off of receipts and disbursements were not in place. As a result, cash, receivables, and payables balances were materially misstated. We recommend that management establish policies and procedures (including monitoring activities) to assure that cash transactions are recorded in the proper period.
- Policies and procedures over recording and releasing checks so as to prevent a technical bank overdraft were not in place. We recommend that management establish cash management policies and procedures (including monitoring activities) that address near zero levels of active deposit accounts.
- Policies and procedures to assure the proper classification of receipts and expenditures, both as to fund and account, were not in place. As a result, the fund balances of most funds were materially misstated, as were several key revenue and expenditure account balances. We recommend that periodically, the Council and department heads be provided year-to-date reports of revenues and expenditures (budget and actual) so as to permit timely review of activity. Reports of revenue and expenditures by fund should be accompanied by the fund's corresponding balance sheet, so as to understand the impact of year-to-date activity on amounts available for spending.

- Policies and procedures to assure timely review of budgeted and actual revenues and expenditures were not in place. As a result, it was not practicable to a) develop budget adjustments to reflect anticipated changes in spending levels or b) to identify needed reductions in future spending levels. We recommend that periodically, the Council and department heads be provided year-to-date reports of revenues and expenditures (budget and actual) so as to permit timely review and evaluation of activity.
- Policies and procedures to create and maintain accounting for federal capital grants and related local match revenue were not effective. We recommend that management establish policies and procedures (including monitoring activities) to assure that the accounting for grants is complete and accurate.
- The City has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. As in prior years, the City has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the City's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a recurring comment. The City has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the City Council of the City of Bangor and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*